

KW 嘉華國際集團有限公司
K. WAH INTERNATIONAL HOLDINGS LIMITED

於百慕達註冊成立之有限公司 Incorporated in Bermuda with limited liability

Stock code 股份代號 0173

Steadfast in Pursuit
of *Value Creation*
磐穩基固 力行臻優

| Interim Report 2013 中期報告



Steadfast ⁱⁿ Pursuit
of *Value Creation*
磐穩基固 力行臻優


Our Mission

It is our mission to focus on customer needs and pursue the spirit of excellence with quality products and services through our commitment to research, design and value creation. With vision, perseverance and teamwork, we strive to provide shareholders with the best return on their investment.

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Corporate Profile



K. Wah International Holdings Limited ("KWIH" or "the Group", stock code: 0173) is the listed property arm of K. Wah Group. Established more than 40 years ago in Hong Kong, KWIH has grown and prospered into a leading integrated developer and investor of exquisite and niche projects, with a strategic focus on Hong Kong, the Yangtze and Pearl River deltas.

Committed to delivering premium projects built to an uncompromising standard of quality, our portfolio of residential developments, Grade A office towers, hotels, serviced apartments and retail complexes are truly one-of-a-kind. Each of our properties boasts a perfect interplay of superb design, delicate craftsmanship, top-notch facilities and innovative features, thanks to a team of seasoned professionals.

Sharing the common vision and values of excellence and sustainability, we go beyond both in the projects we develop and the communities we help grow and cultivate. We have always been a trend-setter pioneering unique and sophisticated lifestyle, embracing customers' needs and creating added value. That is also why we are honoured with a host of international accolades, besides earning a reputed name for impeccable living.

Taking pride in our track record and strong financial capability, we will continue to adopt a progressive strategy with a disciplined approach to land acquisition, in strive for delivering long term shareholder value, and setting ever-higher standards of quality in the projects we undertake as a premier brand.

Corporate Information

CHAIRMAN & MANAGING DIRECTOR

Dr. Lui Che-woo, *GBM, MBE, JP, LLD, DSSc, DBA*

EXECUTIVE DIRECTORS

Mr. Francis Lui Yiu Tung
 Ms. Paddy Tang Lui Wai Yu, *BBS, JP*
 Mr. Alexander Lui Yiu Wah

NON-EXECUTIVE DIRECTOR

Dr. Moses Cheng Mo Chi, *GBS, OBE, JP*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Robin Chan Yau Hing, *GBS, LLD, JP*
 Dr. William Yip Shue Lam, *LLD*
 Professor Poon Chung Kwong, *GBS, PhD, DSc, JP*
 Mr. Au Man Chu
 Mr. Wong Kwai Lam

AUDIT COMMITTEE

Dr. William Yip Shue Lam, *LLD (Chairman)*
 Professor Poon Chung Kwong, *GBS, PhD, DSc, JP*
 Mr. Au Man Chu

REMUNERATION COMMITTEE

Dr. William Yip Shue Lam, *LLD (Chairman)*
 Dr. Lui Che-woo, *GBM, MBE, JP, LLD, DSSc, DBA*
 Mr. Wong Kwai Lam

NOMINATION COMMITTEE

Dr. Lui Che-woo, *GBM, MBE, JP, LLD, DSSc, DBA (Chairman)*
 Dr. William Yip Shue Lam, *LLD*
 Mr. Wong Kwai Lam

COMPANY SECRETARY

Ms. Cecilia Lee Wai Kwan, *LLM, FCIS, FCS*

INDEPENDENT AUDITOR

PricewaterhouseCoopers

REGISTERED OFFICE

Canon's Court
 22 Victoria Street
 Hamilton HM 12
 Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

29th Floor, K. Wah Centre
 191 Java Road
 North Point
 Hong Kong

PRINCIPAL SHARE REGISTRAR

Butterfield Fulcrum Group (Bermuda) Limited
 26 Burnaby Street
 Hamilton HM 11
 Bermuda

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
 Shops 1712–1716
 17th Floor, Hopewell Centre
 183 Queen's Road East
 Wanchai
 Hong Kong

AMERICAN DEPOSITARY RECEIPTS ("ADR")

The Bank of New York Mellon
 P.O. Box 43006
 Providence, R1 02940-3006
 USA

WEBSITE ADDRESS

<http://www.kwih.com>

SHARE LISTING

The Stock Exchange of Hong Kong Limited
 ("HK Stock Exchange")

STOCK CODE

HK Stock Exchange	:	173
Bloomberg	:	173 HK
Reuters	:	0173.HK
ADR	:	KWHAY

Interim Results Highlights and Interim Dividend

INTERIM RESULTS HIGHLIGHTS

The Board of Directors (“Board”) of K. Wah International Holdings Limited (“Company”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (together the “Group”) as follows:

	Six months ended 30 June		Change
	2013 HK\$ million	2012 HK\$ million	
Revenue	3,305	2,838	16%
Profit attributable to equity holders	888	2,899	(69%)
Total comprehensive income attributable to equity holders	2,333	3,648	(36%)
	30 June 2013	31 December 2012	
Shareholders’ funds	21,717	19,357	12%
<ul style="list-style-type: none"> Earnings per share was 33.6 HK cents and interim dividend per share 5 HK cents was declared. The Group successfully raised HK\$3,300 million through a syndicated loan after the overwhelming response from the banking market on 23 August 2013. The five newly acquired projects in 2012, as well as the projects on hand, are progressing according to schedule, and the Group’s strategy is to increase its asset turnover. The Group has been actively looking for opportunities to increase its landbank. As of 30 June 2013, cash and bank deposits amounted to HK\$4,452 million, and net debt as a percentage of total equity was at a healthy level of 19%. 			

INTERIM DIVIDEND

The Board has declared an interim scrip dividend (with cash option) for the six months ended 30 June 2013 of 5 HK cents per share, totaling HK\$134,000,000, payable on 29 October 2013 to the shareholders whose names appear on the registers of members of the Company at the close of business on 19 September 2013 (2012: an interim scrip dividend (with cash option) of 5 HK cents per share, totaling HK\$130,605,000).

Payment of the interim scrip dividend is conditional upon The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the new shares to be issued as the scrip dividend. It is expected that the share certificates in respect of such shares and the dividend warrants will be posted to those entitled on 29 October 2013. The Company will send a circular to the shareholders containing, among others, details of the interim scrip dividend (with cash option).

Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK

Operating Results

The revenue of the Group for the six months ended 30 June 2013 was HK\$3,305 million, which was mainly derived from the property sales of The Palace and The Legend in Shanghai, and Le Palais in Guangzhou, as well as from the rental income of Shanghai K. Wah Centre.

Attributable Contracted Sales of the Group (being contracted sales of the Group and contributions from joint ventures and associated companies) in the first half of 2013 amounted to approximately HK\$3,100 million, mainly attributable to The Palace, The Legend and Upstream Park in Shanghai, Le Palais and J Metropolis in Guangzhou, as well as our joint venture projects in Hong Kong. Of the contracted sales during the period, approximately HK\$1,800 million has been recognised in the accounts of the Group in the first half of 2013.

Profit attributable to equity holders of the Company for the six months ended 30 June 2013 was HK\$888 million. Underlying profit of the Group in the first half of 2013 was HK\$834 million.

Total comprehensive income attributable to equity holders of the Company was HK\$2,333 million for the six months ended 30 June 2013. The total comprehensive income recorded a substantial increase in fair value of HK\$1,219 million on the non-current investments of an approximately 3.9% interest in Galaxy Entertainment Group Limited.

Property Development and Investment in Hong Kong SAR

The property market in Hong Kong in the first half came under the continuing influence of the various government cooling measures announced in October last year and February this year. The introduction of the Residential Properties (First-hand Sales) Ordinance at the end of April also affected the market supply. Property market transaction volume experienced a major decrease in the last two months of the review period.

The sales of our existing projects in Hong Kong saw an inevitable slowdown during the period. Sales recorded in this period came mainly from the remaining units of our projects in Tai Po.

Leasing performance remained stable during the period on the back of healthy demand for commercial shops in the Wan Chai area.

Property Development and Investment in Mainland China

Although the economy in the Mainland experienced slower growth in the first half than in previous years, the overall economy remained largely healthy and progressive. The property sector continued to grow and transactions were particularly noticeable in the segment catering to the fundamental demand of home buyers.

During the period, the Group continued to sell the residential units of two projects in Shanghai, namely, The Palace and Upstream Park. They were well received by the market and have consistently generated satisfactory sales since their launch. In Guangzhou, J Metropolis started its pre-sale launch in early 2013. Market response was encouraging, and almost all the pre-sale units have been sold.

Management Discussion and Analysis

The last block of the Westwood project and Phase I of The Palace were completed in early 2013 and successfully handed over to the owners, and thus the sales were recognised in this period. Progress on the other projects was in accordance with schedule.

The Group's major investment property, Shanghai K. Wah Centre, maintained a high occupancy rate throughout the period.

Investment in Galaxy Entertainment Group Limited ("GEG")

The Group continues to hold its non-current investment in GEG carried at fair value. As of 30 June 2013, the share price of GEG was HK\$37.8 per share representing an increase of 25% over its last carried fair value of HK\$30.3 per share as of 31 December 2012. The resulting increase in fair value of approximately HK\$1,219 million was recorded as an increase in reserve.

Outlook

In the first half of the year, as the US economy continued to grow the Federal Reserve contemplated slowing down its support measures which lifted the yield curve. During this same period, the European economy stabilised and China was expected to meet its GDP growth target.

The Hong Kong property market was sluggish as a result of the cooling measures announced in October last year and this February. In the Mainland, strict tightening measures continued to apply in the property market. Due to strong fundamental demand, both home prices and transaction volumes increased, and sentiment in the land market improved.

In Hong Kong, the Group succeeded in selling a large proportion of its property stock in 2012. In the second half of this year, sales of the remaining units of Chantilly and our joint venture project Marinella will continue. In addition, the marketing efforts for our joint venture projects, Providence Bay and Providence Peak, will continue and the Grampian Road project will be launched next year.

In the Mainland, the Group successfully launched projects offering both high value-for-money and premium products to suit local end user demand. Our high end project in a prime location in Shanghai, The Palace, achieved satisfactory sales with a smooth handover to home owners. Good value-for-money projects in the mid-market segment, such as Westwood, Upstream Park and J Metropolis, were also well received. For the second half of the year, we will continue to market the remaining units in the first phase of The Palace, Upstream Park, J Metropolis and Le Palais. We also plan to launch Grand Summit in Shanghai and our project in Jiangmen towards the end of the year.

The recognition of profits will depend on the progress of the projects and, in this connection, the contracted sales in respect of Upstream Park as well as J Metropolis and, if launched, Jiangmen project may be recognised towards the end of the year. The contracted sales of Grand Summit will likely be recognised in 2014.

The construction of the Group's existing projects and the planning for the five new projects acquired last year were well underway and according to plan. We have been focusing on enhancing product design and quality, improving branding, increasing asset turnover, minimising equity input and developing talent. We will continue to be prudent and disciplined in our land acquisitions.

The Group remains positive about the long term prospects of the property development and investment markets in the Mainland and Hong Kong. The Group is well positioned and confident to embrace both the market changes and new project opportunities in Hong Kong, Pearl River Delta and Yangtze River Delta areas.

The Group was voted first runner-up in the “Hong Kong Best Mid-Cap” category in Asia’s Best Companies 2013 Poll conducted by *FinanceAsia*. Our reputation in the market, together with our strong cash resources resulting from last year’s record profit and relatively low gearing level, makes us well positioned to achieve our mission of providing customers with excellent quality products and services and bringing shareholders the best return on their investment.

FINANCIAL REVIEW

(1) Financial Position

The financial position of the Group remained strong. As of 30 June 2013, total funds employed were increased to approximately HK\$32 billion (31 December 2012: HK\$31 billion). The number of the issued shares of the Company increased to 2,639,978,837 as of 30 June 2013 (31 December 2012: 2,633,793,837) as a result of certain share options being exercised during the period.

(2) Liquidity and Gearing Ratio

The Group monitors its liquidity requirements on a short-to medium-term basis and arranges refinancing of the Group’s borrowings when appropriate. As of 30 June 2013, cash and bank deposits stood at HK\$4,452 million, and total borrowings amounted to HK\$8,889 million. Of the long-term borrowings, around 77% had maturities over a period of one year and above.

In addition, the Group had available undrawn facilities totaling HK\$5,660 million and HK\$1,863 million for working capital and project facility purposes respectively.

The gearing ratio, defined as the ratio of total borrowings less cash and bank deposits and structured bank deposits to total equity, stayed at a healthy level of 19% as of 30 June 2013 (31 December 2012: 21%).

The Group’s liquidity and gearing ratio stayed at a healthy level, and the Group has sufficient funds to meet its working capital and project development requirements.

(3) Treasury Policies

The Group continues to adopt a conservative approach regarding foreign exchange exposure to minimise risk. The majority of the Group’s borrowings are in Hong Kong dollars. Forward foreign exchange contracts are utilised when suitable opportunities arise and when considered appropriate to mitigate foreign exchange exposures. Interest rate swap contracts are also utilised when considered appropriate to avoid the impact of any undue interest rate fluctuations on the Group’s operations.

The Group has engaged in the use of foreign exchange contracts and interest rate swap contracts in respect of the guaranteed notes in order to mitigate US dollar exposure and avoid the impact of any undue interest rate fluctuations.

Management Discussion and Analysis

The Group successfully raised HK\$3,300 million through a syndicated loan after receiving an overwhelming response from the banking market on 23 August 2013, thereby further enhancing its cash holdings and funding capability for future.

(4) Charges on Group Assets

As of 30 June 2013, certain subsidiaries of the Group pledged assets (comprising investment properties, development properties, leasehold land and land use rights, buildings and assets held for sale) with aggregate carrying values of HK\$16,663 million (31 December 2012: HK\$15,220 million) to banks to secure the Group's borrowing facilities.

(5) Guarantees

As of 30 June 2013, the Company has executed guarantees in favour of banks and financial institutions in respect of facilities granted to certain subsidiaries, joint ventures and associated companies amounting to HK\$10,549 million (31 December 2012: HK\$9,825 million), HK\$117 million (31 December 2012: HK\$117 million) and HK\$641 million (31 December 2012: HK\$641 million), of which facilities totaling HK\$4,354 million (31 December 2012: HK\$6,285 million), HK\$117 million (31 December 2012: HK\$117 million) and HK\$394 million (31 December 2012: HK\$394 million) have been utilised respectively.

In addition, a subsidiary of the Company provided guarantees amounting to HK\$177 million (31 December 2012: HK\$154 million) in respect of mortgage facilities granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties.

The Company has executed a guarantee in favour of the HKSAR Government in respect of the performance obligation of an investee company under a contract with the HKSAR Government.

EMPLOYEES AND REMUNERATION POLICY

As of 30 June 2013, the Group, excluding its associated companies and joint ventures, employs 804 employees in Hong Kong, Mainland China and Singapore. Employee costs, excluding Directors' emoluments, amounted to approximately HK\$158 million for the period under review.

The Group believes its success, long-term growth and development depend upon the quality, performance and commitment of its employees. The Group's remuneration policy aims to offer competitive remuneration packages to attract, retain and motivate competent individuals. The Group believes the remuneration packages of its employees are fair, reasonable and competitive in relation to comparable organizations in the areas in which the Group operates its principal business.

Following approval by the Shareholders in 1989, the Group has put in place a share option scheme for its executives and employees for the purposes of providing competitive remuneration package as well as retaining talents in the long term. Likewise in Mainland China, employees' remuneration is commensurate with market pay levels and the Group puts emphasis on the provision of training and development opportunities.

Report on Review of Interim Financial Information



羅兵咸永道

**TO THE BOARD OF DIRECTORS OF
K. WAH INTERNATIONAL HOLDINGS LIMITED**
(incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 10 to 26, which comprises the condensed consolidated balance sheet of K. Wah International Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2013 and the related condensed consolidated profit and loss statement, condensed consolidated statement of comprehensive income, condensed consolidated cash flow statement and condensed consolidated statement of changes in equity for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The Directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 August 2013

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Condensed Consolidated Profit and Loss Statement (unaudited)

	Note	For the six months ended 30 June	
		2013 HK\$'000	2012 HK\$'000
Revenue	6	3,305,010	2,837,529
Cost of sales		(1,324,154)	(1,014,827)
Gross profit		1,980,856	1,822,702
Other operating income		50,639	68,119
Other net (losses)/gains		(13,598)	551,903
Other operating expenses		(108,806)	(98,140)
Administrative expenses		(230,162)	(199,856)
Change in fair value of investment properties		75,564	115,994
Finance costs		(18,612)	(21,951)
Share of profits of joint ventures		37,184	1,619,552
Share of profits/(losses) of associated companies		36,731	(20,005)
Profit before taxation	7	1,809,796	3,838,318
Taxation charge	8	(889,369)	(898,496)
Profit for the period		920,427	2,939,822
Attributable to:			
Equity holders of the Company		887,572	2,899,298
Non-controlling interests		32,855	40,524
		920,427	2,939,822
Earnings per share	9	HK cents	HK cents
Basic		33.6	112.5
Diluted		33.5	112.2
Dividend	10	HK\$'000	HK\$'000
Interim dividend		134,000	130,605

Condensed Consolidated Statement of Comprehensive Income (unaudited)

	For the six months ended 30 June	
	2013 HK\$'000	2012 HK\$'000
Profit for the period	920,427	2,939,822
Other comprehensive income:		
<i>Items that may be reclassified to profit and loss:</i>		
Change in fair value of non-current investments	1,218,630	799,422
Exchange differences	249,433	(66,951)
Other comprehensive income for the period	1,468,063	732,471
Total comprehensive income for the period	2,388,490	3,672,293
Total comprehensive income attributable to:		
Equity holders of the Company	2,333,274	3,647,966
Non-controlling interests	55,216	24,327
	2,388,490	3,672,293

Condensed Consolidated Balance Sheet (unaudited)

As at 30 June 2013

	Note	(unaudited) 30 June 2013 HK\$'000	31 December 2012 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		609,275	616,814
Investment properties		4,820,552	4,890,916
Leasehold land and land use rights		17,394	16,608
Joint ventures		2,249,103	2,210,906
Associated companies		2,128,667	2,065,477
Non-current investments		6,141,897	4,923,267
Deferred taxation assets		52,746	55,301
Other non-current assets		24,287	1,568
		16,043,921	14,780,857
Current assets			
Development properties		16,542,817	13,894,002
Inventories		1,635	4,691
Amount due from a joint venture		271,705	853,182
Amount due from an associated company		293,934	560,107
Debtors and prepayments	12	916,493	867,985
Taxes recoverable		63,950	66,021
Structured bank deposits		1,634,446	1,531,632
Cash and bank deposits	13	2,817,894	5,707,248
		22,542,874	23,484,868
Assets held for sale	14	264,898	—
		22,807,772	23,484,868
Total assets			
		38,851,693	38,265,725
EQUITY			
Share capital	15	263,998	263,379
Reserves		21,453,122	19,093,656
Shareholders' funds		21,717,120	19,357,035
Non-controlling interests		1,107,676	1,052,460
Total equity			
		22,824,796	20,409,495
LIABILITIES			
Non-current liabilities			
Borrowings	16	5,177,863	6,712,105
Guaranteed notes	17	1,703,085	1,700,658
Derivative financial instruments		4,546	7,412
Deferred taxation liabilities		1,186,798	1,135,848
		8,072,292	9,556,023
Current liabilities			
Amounts due to joint ventures		1,559,370	1,559,370
Amount due to an associated company		383,934	104,935
Creditors and accruals	18	1,344,810	1,001,914
Pre-sales deposits		1,883,648	1,986,077
Current portion of borrowings	16	2,007,719	3,061,174
Taxes payable		775,124	586,737
		7,954,605	8,300,207
Total liabilities			
		16,026,897	17,856,230
Total equity and liabilities			
		38,851,693	38,265,725
Net current assets			
		14,853,167	15,184,661
Total assets less current liabilities			
		30,897,088	29,965,518

Condensed Consolidated Cash Flow Statement (unaudited)

	For the six months ended 30 June	
	2013 HK\$'000	2012 HK\$'000
Net cash used in operating activities	(1,359,342)	(1,156,950)
Net cash generated from investing activities	1,055,208	655,670
Net cash (used in)/generated from financing activities	(2,623,229)	673,224
Net (decrease)/increase in cash and cash equivalents	(2,927,363)	171,944
Cash and cash equivalents at beginning of the period	5,676,418	3,070,354
Changes in exchange rates	37,456	(10,790)
Cash and cash equivalents at end of the period	2,786,511	3,231,508

Condensed Consolidated Statement of Changes in Equity (unaudited)

For the six months ended 30 June 2013

	Share capital HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Shareholders' funds HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
At 31 December 2012	263,379	7,670,081	11,423,575	19,357,035	1,052,460	20,409,495
Comprehensive income:						
Profit for the period	—	—	887,572	887,572	32,855	920,427
Other comprehensive income:						
Other comprehensive income for the period	—	1,445,702	—	1,445,702	22,361	1,468,063
Transactions with equity holders:						
Issue of shares upon exercise of share options	619	13,424	—	14,043	—	14,043
Fair value of share options	—	12,768	—	12,768	—	12,768
Lapse of share options	—	(513)	513	—	—	—
At 30 June 2013	263,998	9,141,462	12,311,660	21,717,120	1,107,676	22,824,796
At 31 December 2011	257,690	5,204,646	7,286,829	12,749,165	996,486	13,745,651
Comprehensive income:						
Profit for the period	—	—	2,899,298	2,899,298	40,524	2,939,822
Transfer to profit and loss on disposal of a joint venture	—	(156,838)	—	(156,838)	—	(156,838)
Other comprehensive income:						
Other comprehensive income for the period	—	743,648	—	743,648	(11,177)	732,471
Transactions with equity holders:						
Issue of shares upon exercise of share options	3	25	—	28	—	28
Fair value of share options	—	5,893	—	5,893	—	5,893
Lapse of share options	—	(427)	427	—	—	—
Acquisition of additional interests in a subsidiary from non-controlling interests	—	—	(1,714)	(1,714)	(5,020)	(6,734)
At 30 June 2012	257,693	5,796,947	10,184,840	16,239,480	1,020,813	17,260,293

Notes to the Interim Financial Information

1 GENERAL INFORMATION

K. Wah International Holdings Limited (the “Company”) is a limited liability company incorporated in Bermuda and has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited (“HK Stock Exchange”). The address of its registered office is Canon’s Court, 22 Victoria Street, Hamilton HM 12, Bermuda and its principal place of business in Hong Kong is 29th Floor, K. Wah Centre, 191 Java Road, North Point, Hong Kong.

The principal activities of the Company and its subsidiaries (together the “Group”) are property development and investment in Hong Kong, Mainland China and Singapore.

This interim financial information is presented in Hong Kong dollars, unless otherwise stated. This interim financial information was approved for issue on 29 August 2013.

This interim financial information has not been audited.

2 BASIS OF PREPARATION

The interim financial information for the six months ended 30 June 2013 has been prepared under the historical cost convention, as modified by the revaluation of investment properties, non-current investments and derivative financial instruments, which are carried at fair value and in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2012 which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The accounting policies and methods of computation used in the preparation of the interim financial information are consistent with those used in the annual financial statements for the year ended 31 December 2012, except as stated below.

The adoption of revised HKFRSs

In 2013, the Group adopted the following new standards and amendments, which are relevant to its operations.

HKAS 1 (Amendment)	Presentation of Financial Statements
HKAS 19 (Amendment)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HKFRS 7 (Amendment)	Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement

HKICPA’s annual improvements to certain HKFRSs published in June 2012

HKAS 1 (Amendment)	Presentation of Financial Statements
HKAS 16 (Amendment)	Property, Plant and Equipment
HKAS 32 (Amendment)	Financial Instruments: Presentation
HKAS 34 (Amendment)	Interim Financial Reporting

Except as described below, the adoption of these new standards and amendments does not have an impact on the Group’s accounting policies.

Notes to the Interim Financial Information

2 BASIS OF PREPARATION (cont'd)

HKFRS 10 Consolidated Financial Statements and HKAS 27 (2011) Separate Financial Statements

HKFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in HKFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. HKFRS 10 had no impact on the consolidation of investments held by the Group.

HKFRS 11 Joint Arrangements and HKAS 28 (2011) Investments in Associates and Joint Ventures

Under HKFRS 11, investments in joint arrangements are classified either as joint operations or joint ventures, depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement. The application of this new standard had no impact on the Group's results of operations or financial position while "jointly controlled entities" has been superseded by "joint ventures" following the adoption of HKFRS 11.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance under HKFRS for all fair value measurements. HKFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under HKFRS when fair value is required or permitted. The application of HKFRS 13 had no impact on the fair value measurements carried out by the Group.

HKFRS 13 also requires specific disclosures on fair values. Some of these disclosures are specifically required in interim financial information for financial instruments; accordingly, the Group provides these disclosures in the interim financial information.

HKAS 1 (Amendment) Presentation of Financial Statements

This amendment introduces a grouping of items presented in other comprehensive income. Items that could be reclassified to profit or loss at a future point in time now have to be presented separately from items that will never be reclassified. The adoption of these amendments affected presentation only and had no impact on the Group's results of operations or financial position.

Standards, amendments and interpretation to existing standards that are not yet effective

		Effective for accounting periods beginning on or after
HKAS 32 (Amendment)	Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities	1 January 2014
HKAS 36 (Amendment)	Impairment of Assets	1 January 2014
HKAS 39 (Amendment)	Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
HKFRS 7 (Amendment)	Financial Instruments: Disclosures — Mandatory Effective Date of HKFRS 9 and Transition Disclosures	1 January 2015
HKFRS 9	Financial Instruments	1 January 2015
HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendment)	Investment entities	1 January 2014
HK (IFRIC) — Int 21	Levies	1 January 2014

2 BASIS OF PREPARATION (cont'd)

The Group has not early adopted the above new standards, amendments and interpretation, which are relevant to its operations and is not yet in a position to state whether substantial changes to the Group's accounting policies and presentation of the interim financial information will result.

3 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

In the normal course of business, the Group is exposed to financial risks attributable to interest rates, currency, credit and liquidity.

The interim financial information which does not include all financial risk management information and disclosures required in the annual financial statements, should be read in conjunction with the annual financial statements for the year ended 31 December 2012.

There have been no material changes in the Group's financial risk management structure, policies and procedures since year ended 31 December 2012.

(b) Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

(c) Estimates of fair value of financial instruments

In 2013, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities.

The disclosure of fair value measurements of financial instruments carried at fair value by level in the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

At 30 June 2013, the Group had no Level 3 financial instruments, the Level 1 financial instrument represents the non-current investments and the Level 2 financial instrument represents the structured bank deposits and derivative financial instruments.

In 2013, there were no transfers of financial assets or financial liabilities between the levels in the hierarchy.

In 2013, there were no reclassifications of financial assets.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

In assessing the fair value of non-trading securities and other financial assets that are not traded in an active market, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at the balance sheet date.

Notes to the Interim Financial Information

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments used in preparing the interim financial information are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions applied in the preparation of the interim financial information are consistent with those used in the annual financial statements for the year ended 31 December 2012.

5 SEGMENT INFORMATION

The Group is principally engaged in property development and investment in Hong Kong, Mainland China and Singapore. In accordance with the internal financial reporting of the Group provided to the chief operating decision-maker for the purposes of allocating resources, assessing performance of the operating segments and making strategic decisions, the reportable operating segments are property development and property investment. The Group regards the Board of Directors as the chief operating decision-maker.

The results of the operating segments represent the adjusted earnings before interest, tax, depreciation, amortisation and certain items (the "Adjusted EBITDA"). Certain items include other operating income/expenses, other net gains/losses, gain on disposal of a joint venture and change in fair value of investment properties. Also the Adjusted EBITDA excludes the share of results of joint ventures and associated companies. There are no sales or trading transactions between the operating segments. Others represent corporate level activities including central treasury management, hotel operation and administrative function.

Segment assets primarily consist of property, plant and equipment, leasehold land and land use rights, deferred taxation assets, other non-current assets, development and investment properties, debtors and prepayments, taxes recoverable, structured bank deposits, cash and bank deposits, assets held for sale and other assets mainly include non-current investments, hotel building, inventories and other non-operating assets held by the corporate office. Segment liabilities comprise mainly creditors and accruals, pre-sales deposits, amounts due to joint ventures and an associated company, borrowings, guaranteed notes, derivative financial instruments, taxes payable and deferred taxation liabilities. Other liabilities include liabilities not arising from the operation of the operating segments.

5 SEGMENT INFORMATION (cont'd)

	Property development			Property investment	Others	Total
	Hong Kong HK\$'000	Mainland China HK\$'000	Others HK\$'000	HK\$'000	HK\$'000	HK\$'000
Six months ended 30 June 2013						
Revenue	7,403	3,097,914	17,427	140,350	41,916	3,305,010
Adjusted EBITDA	2,800	1,759,057	10,332	124,879	(123,093)	1,773,975
Other income and expenses/gains, net						(71,765)
Depreciation and amortisation						(23,281)
Change in fair value of investment properties				75,564		75,564
Finance costs						(18,612)
Share of profits/(losses) of joint ventures	39,408	(2,224)				37,184
Share of profits of associated companies	36,731					36,731
Profit before taxation						1,809,796
Taxation charge						(889,369)
Profit for the period						920,427
As at 30 June 2013						
Segment assets	4,414,217	17,371,066	144,262	5,233,670	—	27,163,215
Other assets	—	—	—	—	6,745,069	6,745,069
Joint ventures	2,519,491	1,317	—	—	—	2,520,808
Associated companies	2,422,601	—	—	—	—	2,422,601
Total assets	9,356,309	17,372,383	144,262	5,233,670	6,745,069	38,851,693
Total liabilities	5,669,975	8,429,245	8,198	1,608,690	310,789	16,026,897
Six months ended 30 June 2012						
Revenue	351,512	2,312,847	—	136,880	36,290	2,837,529
Adjusted EBITDA	208,249	1,431,430	(1,129)	117,513	(113,637)	1,642,426
Other income and expenses/gains, net						28,842
Gain on disposal of a joint venture		493,040				493,040
Depreciation and amortisation						(19,580)
Change in fair value of investment properties				115,994		115,994
Finance costs						(21,951)
Share of profits/(losses) of joint ventures	1,619,909	(357)				1,619,552
Share of losses of associated companies	(20,005)					(20,005)
Profit before taxation						3,838,318
Taxation charge						(898,496)
Profit for the period						2,939,822
As at 31 December 2012						
Segment assets	5,255,893	16,608,805	142,700	5,027,852	—	27,035,250
Other assets	—	—	—	—	5,540,803	5,540,803
Joint ventures	3,060,590	3,498	—	—	—	3,064,088
Associated companies	2,625,584	—	—	—	—	2,625,584
Total assets	10,942,067	16,612,303	142,700	5,027,852	5,540,803	38,265,725
Total liabilities	5,191,877	10,738,220	191,026	1,424,596	310,511	17,856,230

Notes to the Interim Financial Information

5 SEGMENT INFORMATION (cont'd)

Geographical segment information

The Group operates in three (2012: three) main geographical areas, including Hong Kong, Mainland China and Singapore.

The revenue for the six months ended 30 June 2013 and 2012 and total non-current assets (other than non-current investments, deferred taxation assets and other non-current assets) as at 30 June 2013 and 31 December 2012 by geographical area are as follows:

Revenue

	2013 HK\$'000	2012 HK\$'000
Hong Kong	14,710	358,816
Mainland China	3,263,258	2,469,755
Singapore	27,042	8,958
	3,305,010	2,837,529

Non-current assets

(Other than non-current investments, deferred taxation assets and other non-current assets)

	30 June 2013 HK\$'000	31 December 2012 HK\$'000
Hong Kong	4,901,837	4,779,368
Mainland China	4,923,137	4,807,245
Singapore	17	214,108
	9,824,991	9,800,721

6 REVENUE

	2013 HK\$'000	2012 HK\$'000
Sale of properties	3,122,744	2,664,359
Rental income	140,350	136,880
Hotel operations	41,916	36,290
	3,305,010	2,837,529

7 PROFIT BEFORE TAXATION

	2013 HK\$'000	2012 HK\$'000
Profit before taxation is stated after crediting:		
Interest income	47,308	56,287
Fair value gain on derivative financial instruments	2,866	1,323
Gain on disposal of a joint venture	—	493,040
Gain on transfer of development properties to investment properties	—	60,713
and after charging:		
Cost of properties sold	1,292,733	981,450
Selling and marketing expenses	94,911	91,732
Depreciation (net of amount capitalised under properties under development of HK\$154,000 (2012: HK\$229,000))	23,216	19,234
Amortisation for leasehold land and land use rights	65	346
Net exchange losses	16,438	3,136
Operating lease rental for land and buildings	1,010	785
Losses on disposal of property, plant and equipment	25	36

8 TAXATION CHARGE

	2013 HK\$'000	2012 HK\$'000
Current		
Hong Kong profits tax	2,159	24,974
Mainland China		
— Income tax	347,801	299,419
— Land appreciation tax	501,039	492,391
Overseas	1,832	303
Under-provision in previous years	360	1,445
Deferred	36,178	79,964
	889,369	898,496

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits for the period after setting off available tax losses brought forward.

Taxation assessable on profits generated in Mainland China and overseas has been provided at the rates of taxation prevailing in Mainland China and overseas in which the Group operates.

Land appreciation tax in Mainland China is normally provided at statutory progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including lease charges of land use rights and all property development expenditures, which is included in the profit and loss statement as taxation charge.

There is no income tax provided on other comprehensive income.

9 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share for the period is based on the following:

	2013 HK\$'000	2012 HK\$'000
Profit attributable to equity holders of the Company	887,572	2,899,298

Notes to the Interim Financial Information

9 EARNINGS PER SHARE (cont'd)

	Number of shares	
	2013	2012
Weighted average number of shares for calculating basic earnings per share	2,638,538,000	2,576,907,000
Effect of dilutive potential ordinary shares — share options	14,700,000	7,852,000
Weighted average number of shares for calculating diluted earnings per share	2,653,238,000	2,584,759,000

10 DIVIDEND

The Board has declared an interim scrip dividend (with cash option) of HK\$134,000,000 (being 5 HK cents per share) (2012: an interim scrip dividend (with cash option) of 5 HK cents per share, totaling HK\$130,605,000). This dividend will be accounted for as an appropriation of retained earnings in the year ending 31 December 2013.

11 CAPITAL EXPENDITURE

For the six months ended 30 June 2013, the Group incurred HK\$9 million (2012: HK\$28 million) on property, plant and equipment.

12 DEBTORS AND PREPAYMENTS

	30 June 2013 HK\$'000	31 December 2012 HK\$'000
Trade debtors, net of provision	501,675	31,239
Other debtors, net of provision	190,021	174,863
Amounts due from non-controlling interests	14,901	14,638
Land deposits	9,706	398,152
Prepayments and other deposits	200,190	249,093
	916,493	867,985

Trade debtors mainly comprise proceeds receivables in respect of sales of properties and rental receivable. Proceeds receivables in respect of sales of properties are settled in accordance with the terms stipulated in the sales and purchase agreements. Rental from tenants is due and payable in advance.

The aging analysis of the trade debtors of the Group based on the date of invoices and net of provision for bad and doubtful debts is as follows:

	30 June 2013 HK\$'000	31 December 2012 HK\$'000
Within one month	501,443	27,906
Two to three months	229	59
Over six months	3	3,274
	501,675	31,239

13 CASH AND BANK DEPOSITS

	30 June 2013 HK\$'000	31 December 2012 HK\$'000
Short-term bank deposits maturing after three months	31,383	30,830
Cash and cash equivalents	2,786,511	5,676,418
	2,817,894	5,707,248

14 ASSETS HELD FOR SALE

	30 June 2013 HK\$'000
Property, plant and equipment	1,799
Investment properties	215,944
Development properties	47,155
	264,898

During the period, the Group entered into an agreement to dispose the Group's interests in a property located in Singapore held by a wholly-owned subsidiary for a consideration of approximately HK\$440 million. The transaction is expected to be completed in September 2013 and thus the gain on disposal will be recognised in the second half of 2013.

15 SHARE CAPITAL

	2013		2012	
	Ordinary shares of HK\$0.10 each	HK\$'000	Ordinary shares of HK\$0.10 each	HK\$'000
Authorised:				
At 1 January and 30 June	5,000,000,000	500,000	5,000,000,000	500,000
Issued and fully paid:				
At 1 January	2,633,793,837	263,379	2,576,902,149	257,690
Share options exercised	6,185,000	619	30,000	3
At 30 June	2,639,978,837	263,998	2,576,932,149	257,693

The Company operates a share option scheme under which options to subscribe for shares in the Company may be granted to Directors, senior executives or employees of the Company or its affiliates and other qualifying grantees. During the period, share options to subscribe for 6,185,000 shares (2012: 30,000 shares) were exercised.

The fair value of options granted during 2013, as determined by using the Black-Scholes valuation model, was HK\$1.36 per option (2012: HK\$0.69 per option). The significant inputs into the model were share price of HK\$4.61 (2012: HK\$2.12) and exercise price at the date of granting the options, expected volatility of 48% (2012: 50%), expected life of options of 3.5 years (2012: 3.5 years), dividend yield of 2.46% (2012: 1.73%) and annual risk-free interest rate of 0.25% (2012: 0.49%). The volatility measured based on the historical share price movement of the Company in the relevant period matching expected time to exercise before the option grant date.

Notes to the Interim Financial Information

15 SHARE CAPITAL (cont'd)

Share options outstanding have the following expiry dates and exercise prices:

Exercise period	Exercise price per share HK\$	Number of share options	
		30 June 2013	31 December 2012
27 November 2008 to 26 November 2017	4.636	7,868,000	8,209,000
27 November 2008 to 26 November 2017	3.882	2,434,000	2,969,000
3 March 2010 to 2 March 2014	0.938	10,514,650	10,524,650
17 January 2013 to 16 January 2018	2.120	10,104,000	15,744,000
21 January 2014 to 20 January 2019	4.610	18,778,000	—
		49,698,650	37,446,650

16 BORROWINGS

	30 June 2013 HK\$'000	31 December 2012 HK\$'000
Long term bank loans		
Secured	4,131,748	4,241,210
Unsecured	2,824,360	4,463,152
	6,956,108	8,704,362
Short term bank loans — unsecured	229,474	1,068,917
	7,185,582	9,773,279
Current portion included in current liabilities	(2,007,719)	(3,061,174)
	5,177,863	6,712,105

17 GUARANTEED NOTES

On 7 May 2012, K. Wah International Financial Services Limited ("KWIFS"), a wholly-owned subsidiary of the Company, issued guaranteed notes in the aggregate principal amount of US\$200 million at 100% of face value. The notes are guaranteed by the Company and carry a coupon rate of 5.375% per annum and have a maturity of 5 years. The notes are listed on the HK Stock Exchange. The market value of the notes as at 30 June 2013 was HK\$1,603 million (2012: HK\$1,613 million).

On 5 December 2012, KWIFS issued additional guaranteed notes of HK\$150 million at 100% of face value through private placement. The notes are guaranteed by the Company and carry a coupon rate of 3-month HIBOR+2.75% per annum and have a maturity of 5 years.

18 CREDITORS AND ACCRUALS

	30 June 2013 HK\$'000	31 December 2012 HK\$'000
Trade creditors	360,721	709,945
Other creditors	35,604	25,324
Amounts due to non-controlling interests	740,213	123,635
Accrued operating expenses	125,363	52,323
Rental and other deposits received	82,909	90,687
	1,344,810	1,001,914

18 CREDITORS AND ACCRUALS (cont'd)

The aging analysis of the trade creditors of the Group based on the date of the invoices is as follows:

	30 June 2013 HK\$'000	31 December 2012 HK\$'000
Within one month	356,763	708,273
Two to three months	3,035	—
Four to six months	570	—
Over six months	353	1,672
	360,721	709,945

19 COMMITMENTS

	30 June 2013 HK\$'000	31 December 2012 HK\$'000
Contracted but not provided for Commitments in respect of property developments of the Group and its joint ventures	1,864,562	3,694,946

20 GUARANTEES

As of 30 June 2013, the Group has executed the following guarantees in favour of the following parties:

	30 June 2013		31 December 2012	
	Outstanding HK\$'000	Utilised HK\$'000	Outstanding HK\$'000	Utilised HK\$'000
Banks and financial institutions in respect of loan facilities granted to:				
— joint ventures	117,000	117,000	117,000	117,000
— associated companies	641,250	393,900	641,250	393,900
— properties buyers	177,112	177,112	154,201	154,201
	935,362	688,012	912,451	665,101

The Company has executed a guarantee in favour of the HKSAR Government in respect of the performance obligation of an investee company under a contract with the HKSAR Government.

The Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. Such guarantees shall terminate upon issuance of the relevant property ownership certificates.

Notes to the Interim Financial Information

21 RELATED PARTY TRANSACTIONS

The following is a summary of significant transactions between the Group and related parties, in addition to those disclosed elsewhere in the financial information which in the opinion of the Directors, were carried out in the normal course of business during the period:

- (a) Key management personnel comprise Executive Directors of the Company and their emoluments are set out as follows:

	2013	2012
	HK\$'000	HK\$'000
Fees	689	650
Salaries and other emoluments	12,549	11,318
Discretionary bonuses	9,432	3,203
Pension costs — defined contribution plans	1,259	1,111
Share options	6,385	2,924
	30,314	19,206

- (b) Rental income from an investee company amounted to HK\$654,000 (2012: HK\$792,000) based on the terms of rental agreement between the parties.
- (c) As at 30 June 2013 and 31 December 2012, the Company has executed a guarantee in favour of the HKSAR Government in respect of the contract for quarrying rights and rehabilitation of the quarry of Tai Sheung Tok Anderson Road of an investee company.

Other Information

DIRECTORS' INTERESTS IN SECURITIES

As of 30 June 2013, the interests and short positions of each director of the Company ("Director") in the ordinary shares of the Company ("Shares"), underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), if any, and the details of any right to subscribe for Shares and of the exercise of such rights, as required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("HK Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register of the Company required to be kept under section 352 of the SFO, or as otherwise required to be notified to the Company and the HK Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Rules Governing the Listing of Securities ("Listing Rules") on the HK Stock Exchange, were as follows:

(a) Shares

Name of Directors	Number of Shares (including Underlying Shares)				Total	Approximate % of Issued Share Capital
	Personal Interests	Family Interests	Corporate Interests	Other Interests		
Lui Che-woo	18,399,265	7,974,889 ⁽¹⁾	3,401,890 ⁽²⁾	1,569,584,304 ⁽³⁾	1,599,360,348	60.58
Francis Lui Yiu Tung	7,438,035	—	—	1,569,584,304 ⁽³⁾	1,577,022,339	59.74
Paddy Tang Lui Wai Yu	18,985,173	—	—	1,569,584,304 ⁽³⁾	1,588,569,477	60.17
Alexander Lui Yiu Wah	10,970,580	—	3,811,831 ⁽⁴⁾	1,569,584,304 ⁽³⁾	1,584,366,715	60.01
Moses Cheng Mo Chi	400,000	—	—	—	400,000	0.02
Robin Chan Yau Hing ⁽⁵⁾	1,907,235	—	—	—	1,907,235	0.07
William Yip Shue Lam	400,000	—	—	—	400,000	0.02
Poon Chung Kwong	400,000	—	—	—	400,000	0.02
Au Man Chu	400,000	—	—	—	400,000	0.02
Wong Kwai Lam	600,000	—	—	—	600,000	0.02

Unless otherwise stated, all personal interests stated above were held by the respective Directors in the capacity of beneficial owners.

Notes:

- (1) Dr. Lui Che-woo is deemed to be interested in 7,974,889 Shares through the interests of his spouse.
- (2) Such Shares are held by a company which is beneficially owned and controlled by Dr. Lui Che-woo.
- (3) Such interests in the Shares are indirectly held by a company which is the trustee of a discretionary family trust established by Dr. Lui Che-woo as founder. Dr. Lui Che-woo, Mr. Francis Lui Yiu Tung, Ms. Paddy Tang Lui Wai Yu and Mr. Alexander Lui Yiu Wah are deemed to be interested in those Shares by virtue of being the beneficiaries of the discretionary family trust.
- (4) Such Shares are held by a company controlled by Mr. Alexander Lui Yiu Wah.
- (5) Dr. Robin Chan Yau Hing (through a corporation beneficially owned and controlled by him) had subscribed for the guaranteed notes with the principal sum of US\$200,000,000 carrying a coupon rate of 5.375% per annum for a maturity of 5 years issued by K. Wah International Financial Services Limited (a wholly-owned subsidiary of the Company) under the US\$1 billion Medium Term Note Programme. Such notes are guaranteed by the Company and are listed on the HK Stock Exchange.

Other Information

(b) Underlying Shares — Share Options

Share options, which are unlisted and physically settled, to subscribe for Shares were beneficially held by certain Directors.

Particulars of the movement of the options held by each of the Directors, the employees of the Company and its affiliates in aggregate under the Share Option Scheme of the Company during the period of six months ended 30 June 2013 were as follows:

Holders	Date of grant	Number of options				Held at 30 June 2013	Exercise price per Share (HK\$)	Exercise period
		Held at 1 January 2013	Granted during the period ^(a)	Exercised during the period	Lapsed during the period			
Lui Che-woo	27 Nov 2007	1,055,000	—	—	—	1,055,000	4.636	27 Nov 2008–26 Nov 2017
	3 Mar 2009	3,517,500	—	—	—	3,517,500	0.938	3 Mar 2010–2 Mar 2014
	17 Jan 2012	2,358,000	—	—	—	2,358,000	2.120	17 Jan 2013–16 Jan 2018
	21 Jan 2013	—	2,630,000	—	—	2,630,000	4.610	21 Jan 2014–20 Jan 2019
Francis Lui Yiu Tung	17 Jan 2012	1,400,000	—	—	—	1,400,000	2.120	17 Jan 2013–16 Jan 2018
	21 Jan 2013	—	1,500,000	—	—	1,500,000	4.610	21 Jan 2014–20 Jan 2019
Paddy Tang Lui Wai Yu	27 Nov 2007	940,000	—	—	—	940,000	4.636	27 Nov 2008–26 Nov 2017
	24 Jan 2008	800,000	—	—	—	800,000	3.882	27 Nov 2008–26 Nov 2017
	3 Mar 2009	3,133,400	—	—	—	3,133,400	0.938	3 Mar 2010–2 Mar 2014
	17 Jan 2012	2,358,000	—	—	—	2,358,000	2.120	17 Jan 2013–16 Jan 2018
	21 Jan 2013	—	2,630,000	—	—	2,630,000	4.610	21 Jan 2014–20 Jan 2019
Alexander Lui Yiu Wah	27 Nov 2007	990,000	—	—	—	990,000	4.636	27 Nov 2008–26 Nov 2017
	24 Jan 2008	800,000	—	—	—	800,000	3.882	27 Nov 2008–26 Nov 2017
	3 Mar 2009	3,300,000	—	—	—	3,300,000	0.938	3 Mar 2010–2 Mar 2014
	17 Jan 2012	2,358,000	—	—	—	2,358,000	2.120	17 Jan 2013–16 Jan 2018
	21 Jan 2013	—	2,630,000	—	—	2,630,000	4.610	21 Jan 2014–20 Jan 2019
Moses Cheng Mo Chi	17 Jan 2012	200,000	—	—	—	200,000	2.120	17 Jan 2013–16 Jan 2018
	21 Jan 2013	—	200,000	—	—	200,000	4.610	21 Jan 2014–20 Jan 2019
Robin Chan Yau Hing	27 Nov 2007	500,000	—	—	—	500,000	4.636	27 Nov 2008–26 Nov 2017
	17 Jan 2012	200,000	—	—	—	200,000	2.120	17 Jan 2013–16 Jan 2018
	21 Jan 2013	—	200,000	—	—	200,000	4.610	21 Jan 2014–20 Jan 2019
William Yip Shue Lam	17 Jan 2012	200,000	—	200,000 ^(b)	—	—	2.120	17 Jan 2013–16 Jan 2018
	21 Jan 2013	—	200,000	—	—	200,000	4.610	21 Jan 2014–20 Jan 2019
Poon Chung Kwong	17 Jan 2012	200,000	—	200,000 ^(c)	—	—	2.120	17 Jan 2013–16 Jan 2018
	21 Jan 2013	—	200,000	—	—	200,000	4.610	21 Jan 2014–20 Jan 2019
Au Man Chu	17 Jan 2012	200,000	—	—	—	200,000	2.120	17 Jan 2013–16 Jan 2018
	21 Jan 2013	—	200,000	—	—	200,000	4.610	21 Jan 2014–20 Jan 2019
Wong Kwai Lam	17 Jan 2012	200,000	—	—	—	200,000	2.120	17 Jan 2013–16 Jan 2018
	21 Jan 2013	—	200,000	—	—	200,000	4.610	21 Jan 2014–20 Jan 2019
Employees (in aggregate)	27 Nov 2007	4,724,000	—	—	341,000	4,383,000	4.636	27 Nov 2008–26 Nov 2017
	24 Jan 2008	1,369,000	—	535,000 ^(d)	—	834,000	3.882	27 Nov 2008–26 Nov 2017
	3 Mar 2009	573,750	—	10,000 ^(e)	—	563,750	0.938	3 Mar 2010–2 Mar 2014
	17 Jan 2012	6,070,000	—	5,240,000 ^(f)	—	830,000	2.120	17 Jan 2013–16 Jan 2018
	21 Jan 2013	—	8,448,000	—	260,000	8,188,000	4.610	21 Jan 2014–20 Jan 2019

Notes:

- (a) The closing price of the Shares immediately before the date on which the options were granted during the period was HK\$4.610 per share.
- (b) The weighted average closing price of the Shares immediately before the date on which the options were exercised during the period was HK\$4.450 per share.

- (c) The weighted average closing price of the Shares immediately before the date on which the options were exercised during the period was HK\$4.000 per share.
- (d) The weighted average closing price of the Shares immediately before the dates on which the options were exercised during the period was HK\$4.421 per share.
- (e) The weighted average closing price of the Shares immediately before the date on which the options were exercised during the period was HK\$4.360 per share.
- (f) The weighted average closing price of the Shares immediately before the dates on which the options were exercised during the period was HK\$4.358 per share.

Except for the options granted on 24 January 2008 which vested on 27 November 2008, the other options granted were subject to a one-year vesting period.

On 21 January 2013, the Company granted 19,038,000 share options (all at subscription price of HK\$4.610 per share) to the Directors and selected employees of the Company and its affiliates, of which 260,000 share options have since lapsed.

The fair value of the share options granted during the period is set out in Note 15 to the Interim Financial Information.

No option was cancelled during the period.

All the interests stated above represent long positions.

Dr. Lui Che-woo, Mr. Francis Lui Yiu Tung, Ms. Paddy Tang Lui Wai Yu and Mr. Alexander Lui Yiu Wah, by virtue of their deemed interests in the Shares as described in Note (3) above and as Directors of the Company, are deemed to be interested in the issued share capital of every subsidiary, joint venture and associated company of the Company held through the Company under the provision of the SFO.

Save as disclosed above, as of 30 June 2013, none of the Directors had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As of 30 June 2013, the interests of every person (not being a Director or chief executive of the Company) in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO or as otherwise notified to the Company and the HK Stock Exchange were as follows:

Name of Shareholders	Number of Shares (Long Position)	Approximate % of Issued Share Capital
HSBC International Trustee Limited	1,532,793,048	58.06
CWL Assets (PTC) Limited	1,569,584,304	59.45
Super Focus Company Limited	1,165,199,559	44.14
Star II Limited	212,762,856	8.06
Favor Right Investments Limited	152,391,028	5.77
Premium Capital Profits Limited	148,846,915	5.64

Other Information

Note:

HSBC International Trustee Limited is the trustee of a discretionary trust established by Dr. Lui Che-woo as the founder which was interested in 1,532,793,048 Shares. Following the allotment of new Shares for interim scrip dividend for the six months ended 30 June 2012 on 9 November 2012, the shareholding of HSBC International Trustee Limited was increased to 1,569,584,304 Shares. Such Shares are the aggregation of (i) 152,391,028 Shares held by Favor Right Investments Limited, (ii) 39,230,861 Shares held by Best Chance Investments Limited, (iii) 1,165,199,559 Shares held by Super Focus Company Limited, (iv) 148,846,915 Shares held by Premium Capital Profits Limited, and (v) 63,915,941 Shares held by Mark Liaison Limited; all the aforesaid companies are wholly-owned by a company controlled by the trust.

There was duplication of interests of 1,569,584,304 Shares among Dr. Lui Che-woo, Mr. Francis Lui Yiu Tung, Ms. Paddy Tang Lui Wai Yu, Mr. Alexander Lui Yiu Wah, HSBC International Trustee Limited and CWL Assets (PTC) Limited. Of these Shares, 1,165,199,559 Shares were interested by Super Focus Company Limited, 39,230,861 Shares were interested by Best Chance Investments Limited, 152,391,028 Shares were interested by Favor Right Investments Limited, 148,846,915 Shares were interested between Premium Capital Profits Limited and Star II Limited and 63,915,941 Shares were interested between Mark Liaison Limited and Star II Limited.

Save as disclosed above, as of 30 June 2013, the Company had not been notified by any persons who had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

DISCLOSURE UNDER RULE 13.22 OF THE LISTING RULES

As of 30 June 2013, the Group had given financial assistance and guarantees to financial institutions for the benefit of its affiliated companies. In compliance with the requirements of Rule 13.22 of the Listing Rules, the combined balance sheet of the affiliated companies as at the balance sheet date is disclosed as follows:

	Combined balance sheet HK\$'000	Group's attributable interest HK\$'000
Non-current assets	40,740	6,269
Current assets	26,134,446	6,283,829
Current liabilities	(3,347,367)	(836,326)
	22,827,819	5,453,772
Share capital	71	26
Reserves	11,251,317	2,908,912
Amounts due to shareholders	8,716,431	2,033,934
Non-current liabilities	2,860,000	510,900
	22,827,819	5,453,772

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's securities during the period of six months ended 30 June 2013.

AUDIT COMMITTEE

The Audit Committee of the Company met on 22 August 2013 and reviewed the Company's accounting principles and practices and discussed internal control and financial reporting matters. The Group's unaudited interim results for the six months ended 30 June 2013 have been reviewed by the Audit Committee of the Company and by the Company's Independent Auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The report on review of interim financial information by the Auditor has been included in this interim report.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as the Company's Code of Conduct for Securities Transactions by Directors ("Model Code"). Having made specific enquiries with all its Directors, the Company confirms that during the period of six months ended 30 June 2013 all its Directors have complied with the required standards as set out in the Model Code.

CORPORATE GOVERNANCE

The Board and management of the Company are committed to principles of good corporate governance consistent with enhancement of long term shareholders' value. The Board has adopted a corporate governance policy which gives guidance on how corporate governance principles are applied to the Company. The Company will continue putting effort in maintaining high standards of corporate governance and enhancing corporate transparency, accountability and independence.

During the period of six months ended 30 June 2013, the Company has complied with the code provisions ("CG Codes") of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules on the HK Stock Exchange at that time, except the deviations from (i) CG Code A.2.1, namely, the roles of chairman and managing director have not been separated; and (ii) CG Code A.4.2, namely, the chairman and the managing director are not subject to retirement by rotation.

The Board believes that the underlying rationale to deal with such deviations as mentioned under the section headed "COMPLIANCE WITH APPENDIX 14 OF THE LISTING RULES" in the Corporate Governance Report of its 2012 Annual Report still holds. The Board will continue to review and recommend such steps and actions as appropriate in the circumstances of such deviations.

UPDATE ON DIRECTORS' INFORMATION PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Subsequent to the publication of the 2012 Annual Report, the Company was informed of the following changes in Directors' information:

Dr. Lui Che-Woo (*Chairman and Managing Director*) (*Executive Director*)

Dr. Lui was honored with "Asia Pacific Entrepreneurship Awards 2012 – Lifetime Achievement Award" by Enterprise Asia in 2012 and "Lifetime Achievement Award" by Golden Horse Award of China Hotel in 2013.

Other Information

Dr. Moses Cheng Mo Chi *(Non-Executive Director)*

Dr. Cheng was appointed as the chairman of the Committee on Free Kindergarten Education on 8 April 2013 for a term of two years. On 1 July 2013, he was appointed as an independent non-executive director of OTC Clearing Hong Kong Limited (a subsidiary of Hong Kong Exchanges and Clearing Limited). On 13 June 2013, he was also appointed as an independent non-executive director of NW Hotel Investments Company Limited (“NW Hotel”) and NWHI Manager Limited which is the trustee-manager of NW Hotel Investments (“NWHI Trust”), both NW Hotel and the NWHI Trust had applied for new listing on the Main Board of the HK Stock Exchange.

Dr. Robin Chan Yau Hing *(Independent non-Executive Director)*

Dr. Chan was conferred with the Honorary Fellowship by The Hong Kong University of Science and Technology on 27 June 2013.

Dr. William Yip Shue Lam *(Independent non-Executive Director)*

Canada Land Limited (“Canada Land”) (a company listed on the Australian Stock Exchange) was privatized in May 2013 and Dr. Yip remains as the chairman of Canada Land.

Mr. Wong Kwai Lam *(Independent non-Executive Director)*

In April 2013, Mr. Wong was appointed as a member of the Hospital Governing Committee of The Prince of Wales Hospital, Hong Kong and also as an independent non-executive director of Langham Hospitality Investments Limited (“LHIL”) and LHIL Manager Limited (“LHIL Manager”) which is the trustee-manager of Langham Hospitality Investments (“LHI Trust”). LHIL and the LHI Trust are listed on the Main Board of the HK Stock Exchange. Mr. Wong is the chairman of the audit committee, a member of the remuneration committee and nomination committee of LHIL and LHIL Manager.

CLOSURE OF REGISTERS OF MEMBERS

The registers of members will be closed from 17 September 2013 to 19 September 2013, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers documents accompanied by the relevant share certificates must be lodged with the Company’s Branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 16 September 2013.

By Order of the Board

K. Wah International Holdings Limited

Lee Wai Kwan, Cecilia

Company Secretary

Hong Kong, 29 August 2013

 嘉華國際集團有限公司
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